Entrepreneurship with strategic alliances in the retail industry

Reijnders, W.J.M.; Verhallen, T.M.M.

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Entrepreneurship within Strategic Alliances in the Retail Industry

Will J.M. Reijnders
Theo M.M. Verhallen*

Tilburg University
The Netherlands

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1. Introduction

Over the past decades the number of small and medium sized retail enterprises which joined a Strategic Alliance has grown rapidly. The strategic position of these alliances in the retail industry is significant. In The Netherlands the Strategic Alliances (SA) nowadays account for 43% of the total retail business (See Table 1).

Table 1: Market shares of Strategic Alliances in the Dutch retail trade

Strategic Alliances of SME's*	market share (%)			
	1980	1985	1990	1993
- Non-Allied SME's	44	31	24	20
- SME's within Strategic Alliances	29	35	40	43
- Fully integrated retailers	27	34	36	37
Total	100	100	100	100

* SME: Small and Medium-Sized Enterprises
Source: Center for Retail Research The Netherlands (CRR) and Tilburg University

* *dr. Will J.M. Reijnders is assistant professor and dr. Theo M.M. Verhallen is full professor in Marketing and Marketing Research at Tilburg University, PO-box 90153, 5000 LE Tilburg, The Netherlands*

The figures in Table 1 show a growing market share for both SA and fully integrated retailers. The growth of the market share of the SA's has led to considerable research interest, especially on franchising (Justis and Chan (1991), Peterson and Dant (1990), Stern and Stanworth (1994), Withane (1991)). The phenomenon of other forms of SA's of SME's in the retail industry, i.e. voluntary cooperations with regard to buying and selling, has however received less attention. Here we will focus on these forms of SA's, especially on the motives of entrepreneurs to join such a SA and the consequences this has for entrepreneurship, professionalism, strategic behavior and financial performance.

First we will describe the role of the SA in the retail industry. We will then focus on the benefits the SA can offer to the small and medium sized retailers, and the way the SA supports the entrepreneurial tasks of these retailers. Second we will examine the entrepreneurial behavior of the retailer, with focus on market behavior. Third we will compare the allied retailers with the non-allied retailers on some indices for entrepreneurship, the level of professionalism of the retailer and his financial performance.

2. Research Objectives

Robinson and Clarke-Hill (1994) define a Strategic Alliance as: *"A Strategic Alliance is a coalition of a number of organizations intended to achieve mutually beneficial goals"*. Two forms of SA's are usually distinguished: vertical and horizontal SA's. Vertical alliances focus mainly on supplier/manufacturer relationships (Bucklin & Sengupta, 1993; Forest, 1990; Harrigan 1985, 1986, 1988; Mody, 1993). Horizontal alliances consists of relationships between similar entrepreneurs in the same industry, for example retailers. The consequence of a horizontal alliance in the retail industry is that the members of the alliance <u>may</u> be seen as competitors. In our study we will focus on horizontal relationships amongst retailers.
Porter & Fuller (1986) and Dunning (1988) formulate a number of benefits for a SA-member. In the case of a retail entrepreneur within a horizontal alliance this leads to:
-1- economies of scale and scope to be realized on the buying and selling function of the retailer, as well as on the organizational infrastructure (for example a central computer system for all members of the SA);
-2- quick and easy access to knowledge;
-3- the reduction of the capital requirements and the risks involved in the development of new kinds of products or technologies; and
-4- the possibility of influencing the structure of competition in the relevant markets.
Regarding the above mentioned benefits, it is to be expected that participating in a Strategic Alliance will influence the (strategic) behavior of the small and medium sized entrepreneur. More specifically we expect that a SME in the retail industry participating within a Strategic Alliance is to be considered a 'different' entrepreneur with a different attitude towards his entrepreneurial tasks in comparison with his non-cooperating colleague. We expect them to have a less traditional and more active market approach as well as a higher degree of professionalism. More over, we expect that the allied retailers will use the economies of scale within a SA better and we expect them to perform better.

3. Set Up of the Study

The research focusses on the men's clothes branch, and is conducted in two phases.
In the first part of the study the managing (marketing) directors of all the (11) strategic alliances were interviewed. The purpose of these in depth interviews was to get an insight into the role of the SA in relation to the SA-members. Special attention was given to the distribution functions, the retail mix and the shop formula, as well as on the support the SA can give to the individual retailers. On the basis of these interviews and the information of the statutes and other official documents, a sample was taken for the second phase of the study.
In the second phase a written and oral survey among retailers of men's clothes was executed. The questionnaire included the before mentioned topics: entrepreneurial task evaluation; indicators of professional performance; market performance with respect to pricing, product port folio, and promotional activities. In addition to this the financial performance derived from the year books, state of profits and losses as consolidated by the financial controller, was measured. The survey included both the allied retailers and the non-allied retailers. A response of 451 usable cases has been obtained: 217 non-allied and 234 allied retailers. This response of 34.1 % can be considered as representative for the population of SME's in the men's clothes branch.

4. Results

The first results of the analyses on task attitudes, the degree of professionalism, and the market approach show differences between allied and non-allied retailers. The allied retailers tend to rate their entrepreneurial task less important then the non-allied. They are more willing to outsource their entrepreneurial tasks (see table 2). The non-allied retailers rate the traditional entrepreneurial tasks in men's clothes retailing (the buying function) higher (i.e. more important) than the allied retailers. Their willingness to outsource these traditional tasks is much lower compared to the allied retailers. These differences are probably due to the support the allied retailer gets from the SA. Traditionally the SA's in the men's clothes branch were funded in order to realize a stronger position towards the suppliers of men's clothes. Nowadays the SA's support their members on almost every entrepreneurial task. The consequence is that the allied retailers perceive their entrepreneurial tasks less important in comparison with their non-allied colleagues.
The allied retailers tend to be more professional in comparison with the non-allied retailers as they have more internal and external (market) information available, they realize a higher service level and their degree of automation is much higher. These findings correspond with the main purposes of the SA: professionalizing their members.
The differences concerning the market approach indicate that the allied retailers are more aggressive in their pricing and communication policy. They tend to be less traditional in their market approach.

Table 2: Entrepreneurial tasks: outsourcing by allied and non-allied entrepreneurs

entrepreneurial tasks	outsourcing (in %)		
	allied	non-allied	sign
-1- core assortment selection	39	4	**
-2- additional assortment selection	41	27	no
-3- regular pricing	3	0	no
-4- action/sales pricing	0	7	**
-5- determination of specific sales actions	8	14	no
-6- making agreements with suppliers	42	25	no
-7- suppliers choice	20	7	no
-8- interior decoration	23	4	**
-9- exterior decoration	15	7	no
-10- branding	7	4	no
-11- window dressing	5	7	no
-12- house styling	21	7	no
-13- administration of goods	10	22	no
-14- human resource management	5	4	no
-15- shop location	10	7	no
-16- advertising	50	37	no
-17- market research	44	40	no
average score	20.2	13.1	**

Legend: sign. = significance; ** = $p < .05$

The first analyses indicate the allied retailers to be different from their non-allied colleagues: their entrepreneurial task attitude is different, they tend to delegate more, have a more aggressive approach to the market, and finally the comparison of return on investment and turnover also indicates a higher performance for the allied entrepreneur. The function of a SA seems to fit in with a modern offensive entrepreneur more than with a defensive, conservative market approach.

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onderwerp **paper emac**
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Beste Theo,

Bij nader inzien heb ik toch besloten een extra tabel op te nemen in het paper. Immers er werd in de auteursinstructie gemeld dat een work in progress minimaal 5 pagina's moest omvatten. Door invoering van deze tabel is een en ander uitgebreid tot 5 pagina's. Verder kan over de tabel gezegd worden dat deze van ondergeschikt belang is zodat deze het JSM verhaal geen geweld aan kan doen.

Wil er nog even naar kijken,

met vriendelijke groet,

Will